

RESOLUTION NO. 98-24

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF RICHMOND,
CALIFORNIA, APPROVING A SETTLEMENT AGREEMENT
WITH CHEVRON CORPORATION**

WHEREAS, the City Council adopted Resolution No. 63-24 on June 18, 2024, to place a measure on the ballot for the November 5, 2024 election to allow voters of the City to impose a business license tax on oil refining in the City in addition to other taxes on that activity (“the ballot measure”); and

WHEREAS, Chevron Corporation alleges the ballot measure exceeds the City’s legal authority and the Coalition for Richmond’s Future, which describes itself as “a newly formed non-profit organization,” has sued to challenge the ballot label by which it is to be presented to the voters; and

WHEREAS, Chevron Corporation has proposed an agreement by which it would commit to millions of dollars of payments to the City to provide City general services if the City will agree to remove the ballot measure from the November ballot (“the agreement”); and

WHEREAS, the agreement will achieve the purposes of the ballot measure and eliminate pending and threatening litigation, allowing certainty of Chevron’s obligations to the City for the benefit of both parties; and

WHEREAS, the agreement does not, and cannot, contract away the power of the City Council, and voters acting by initiative, to propose taxes on business activity in the City; and

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Richmond, as follows:

Section 1. The City Council hereby approves the agreement attached hereto as Exhibit A.

Section 2. The City Attorney is authorized to negotiate further, non-substantive changes to the agreement and the Mayor is authorized to sign such an amended agreement.

Section 3. This resolution shall take effect immediately upon its adoption.

I certify that the foregoing resolution was passed and adopted by the Council of the City of Richmond at a special meeting thereof held August 14, 2024, by the following vote:

AYES: Councilmembers Bana, McLaughlin, Robinson, Willis, Zepeda,
Vice Mayor Jimenez, and Mayor Martinez.

NOES: None.

ABSTENTIONS: None.

ABSENT: None.

PAMELA CHRISTIAN
CLERK OF THE CITY OF RICHMOND

(SEAL)



Approved:

EDUARDO MARTINEZ

Mayor

Approved as to form:

DAVE ALESHIRE

City Attorney

State of California }
County of Contra Costa } : ss.
City of Richmond }

I certify that the foregoing is a true copy of **Resolution No. 98-24**, finally passed and adopted by the Council of the City of Richmond at a special meeting held on August 14, 2024.

Handwritten signature of Pamela Christian in blue ink.

Pamela Christian, Clerk of the City of Richmond

EXHIBIT A

TAX PAYMENT AGREEMENT

This TAX PAYMENT AGREEMENT (“Agreement”) effective as of August 14, 2024 (the “Effective Date”) is made by and between the City of Richmond (“Richmond”) and Chevron U.S.A. Inc., a Pennsylvania Corporation (“Chevron”).

RECITALS

- A. Richmond and Chevron have previously entered into that certain Tax Settlement Agreement executed by the Parties in 2010 (the “2010 Agreement”).
- B. Chevron’s obligation to make the Settlement Payment under the 2010 Agreement expires on June 30, 2025. The parties have honored the terms of the 2010 Agreement and no defaults exist thereunder.
- C. On June 18, 2024, the Richmond City Council adopted Resolution 63-24 submitting to the voters at the November 5, 2024 election, an ordinance establishing a business license tax upon oil refining in the City of Richmond by adding a new Chapter 13.58 to Article 13 of the Richmond Municipal Code (“2024 Tax Ballot Initiative”).
- D. Chevron, in coordination with the Coalition for Richmond’s Future, has brought an action to challenge the 2024 Tax Ballot Initiative and believes that it may have grounds to challenge the ordinance itself, the litigation of which could involve millions of dollars in legal costs and delay use of any funds.
- E. The Parties have agreed to provide additional payments from Chevron to Richmond in exchange for Richmond’s timely withdrawal of the 2024 Tax Ballot Initiative from the ballot.
- F. In consideration of the mutual promises set out in the Agreement and other good and valuable consideration, the receipt and sufficiency of which is acknowledged, Richmond and Chevron agree to be bound by the terms of this Agreement.

AGREEMENT

1. SETTLEMENT PAYMENT

- 1.1 Annual Payment. For and in consideration of the agreements and covenants set forth herein, Chevron agrees to pay, and Richmond agrees to accept, the sum of Five Hundred Fifty Million Dollars (\$550,000,000) such amount to be paid in annual installments over the 10-year period commencing on July 1, 2025 and ending June 30, 2035. The annual installment amount for the first five years shall be \$50,000,000. The annual installment amount commencing July 1, 2030 shall increase to \$60,000,000. Each annual payment of Fifty Million Dollars (\$50,000,000) for years 2025 through 2029 and Sixty Million Dollars (\$60,000,000) for years 2030 through 2034 (the “Annual Payment”) is to be made on July 15th of each applicable year commencing with the fiscal year starting on July 1, 2025.
- 1.2 Late Payment. In the event that the Annual Payment is not paid within forty-five (45) days of the due date, a delinquency penalty of five (5%) percent of the amount of payment due shall accrue.

- 1.3 Existing Tax Payment. In addition to the Annual Payment, Chevron shall continue to pay all taxes imposed by the Richmond Municipal Code as it existed as of January 1, 2024 (“Existing Tax Payments”). This includes, without limitation, the Measure U Business License Tax and the Utility User Tax.
- 1.4 Property Taxes. This Agreement does not address property taxes applicable to the Chevron Richmond properties that are administered by Contra Costa County.
- 1.5 Revenue Neutrality. If, within the term of this Agreement, a new tax or tax increase is enacted in an existing tax in the City of Richmond that applies to Chevron, then Chevron shall receive a credit in the amount of 100% of the total new taxes or tax increases imposed on Chevron applied against the total amount of Annual Payments and Existing Tax Payments paid by Chevron during the term of this Agreement. For purpose of this paragraph a new tax or tax increase shall not include a sales or use tax increase. (A narrative example of revenue neutrality is described in Attachment A). There is no provision of this Agreement which restricts the City’s tax or policing power and the City may enact additional tax measures subject to the credit provisions described herein. At the end of the term of this Agreement, unless extended, these credit provisions also terminate.
- 1.6 General Fund. It is expressly understood that the Annual Payments provided herein are identified as general fund revenue spent pursuant to the City’s budget process and not subject to any direction as may be suggested by Chevron in any manner. There are no contribution provisions similar to the 2010 Agreement. Moreover, this is a tax settlement and Chevron shall not take credit by videos, images, or written materials assigning to Chevron credit for expenditures of such funds. Notwithstanding the foregoing, Chevron may publicly share the existence and terms of this Agreement for business purposes.

2. WITHDRAWAL OF ORDINANCE ASSOCIATED WITH RESOLUTION 63-24

Richmond shall cause the 2024 Tax Ballot Initiative to be removed from the ballot. Richmond shall withdraw and rescind Resolution 63-24 and provide notification to the City and County Clerks by close of business August 14 and end all efforts to add new taxes at the November 5, 2024 Richmond municipal election.

3. LITIGATION

Chevron will cause the current lawsuit styled Coalition for Richmond’s Future & Daniela Dickey v. Pamela Christian, the City Clerk of the City of Richmond et. al Contra Costa County Superior Court Case No. N24-1181 to be dismissed with each party paying their own attorneys’ fees and costs.

4. AUDITS

Chevron agrees to cooperate at its expense with all audits necessary to carry out the terms of this Agreement.

5. FINALITY

This Agreement shall be considered final and unchallengeable except upon a finding of fraud or misrepresentation of a material fact.

6. NO ADMISSION OF LIABILITY

Chevron makes no acknowledgement or admission of any liability to Richmond based on entering into this Agreement. It is expressly understood by the Parties that in agreeing to this settlement neither party has made any concessions regarding the merits of its positions or the merits of the other party's positions with respect to the disputed matters described herein. The Parties agree that neither party shall assert that entering into this Agreement shall be an admission regarding validity of the 2024 Tax Ballot Initiative.

7. ENFORCEMENT

Any proceeding to enforce the provisions of this Agreement or in the event of alleged breach thereof shall be brought in the California Superior Court for Contra Costa County, which may award reasonable attorneys' fees and costs to the prevailing party, in addition to injunctive relief to compel performance of any party's obligations or other appropriate relief.

8. APPROVAL OF AGREEMENT BY CITY

Chevron acknowledges that this Agreement is subject to approval by the City Council, which decision may be reported in a public City Council meeting and, if approved, shall be a public record.

9. ENTIRE AGREEMENT; MODIFICATION

This Agreement reflects the entire agreement between the Parties. The 2010 Agreement expires as of its expiration and is of no further force and effect. There are no other agreements, either written or oral, and the execution and delivery of this written Agreement supersedes any and all prior representations, negotiations or agreements pertaining to the subject matter thereof. Further, this Agreement may not be modified except by written consent of all Parties hereto. This Agreement, together with the obligations and terms thereof, shall inure to the benefit of assigns, successors in interest and transferees of Chevron.

10. COUNTERPARTS

This Agreement may be executed in multiple counterparts, all of which, taken together, shall constitute but a single agreement, and each of which shall be deemed an original.

11. CHOICE OF LAW

This Agreement shall be governed and construed by the substantive laws of the state of California, without regard to the choice of laws rules of California or any other jurisdiction.

12. ATTORNEY FEES

It is hereby agreed that the Parties shall each bear their own attorneys' fees, expenses and costs incurred in completing this Agreement.

13. WARRANTY

The Parties each represent and warrant that they have full authority to enter into this Agreement.

14. MUTUAL DRAFTING

The Parties agree that the negotiation and drafting of this Agreement was the product of the joint and mutual efforts and participation of Richmond, Chevron, and their counsel. Therefore, in the event of any ambiguity herein, such ambiguity shall not be resolved against or in favor of any particular party on the basis of who prepared or drafted this document.

15. ADVICE OF COUNSEL

The Parties agree that in executing this Agreement, they relied upon advice of their independently selected counsel and have been fully advised as to the legal effect and impact of the terms and provisions herein.

16. SEVERABILITY

If any one or more provisions of this Settlement Agreement shall be held invalid or unenforceable, such provision shall be modified to the minimum extent necessary to make it or its application valid and enforceable. In any event, the validity and enforceability of all other provisions of this Agreement shall not be affected.

17. SUSPENSION OF PAYMENTS; TERMINATION

If the Chevron Richmond Refinery is materially impacted as a result of Act of God (including fire, flood, earthquake, storm, hurricane or other natural disaster), war, invasion, act of foreign enemies, hostilities (regardless of whether war is declared), civil war, rebellion, revolution, insurrection, military or usurped power of confiscation, terrorist activities, government sanction, blockage, embargo, labor dispute, strike, lockout or interruption or failure of electricity or other utility service, the settlement payment shall be suspended for the period of the shutdown. A material impact would be deemed to occur in the circumstance where the refinery crude unit ceases operating for 12 consecutive months.

Chevron shall have the ability to terminate this agreement if Chevron ceases refining crude and feedstocks at the Richmond Refinery for 12 consecutive months by providing ninety (90) days written notice following the 12-month period. All obligations of the parties under this Agreement will cease upon termination.

18. CORPORATE AUTHORITY

The persons executing this Agreement on behalf of the parties hereto warrant that (i) such party is duly organized and existing, (ii) they are duly authorized to execute and deliver this Agreement on behalf of said party, (iii) by so executing this Agreement, such party is formally bound to the provisions of this Agreement, and (iv) that entering into this Agreement does not violate any provision of any other Agreement to which said party is bound. This Agreement shall be binding upon the heirs, executors, administrators, successors and assigns of the parties.

[SIGNATURES ON FOLLOWING PAGE]

The Parties have executed this Agreement as evidenced by the following signatures of authorized representatives of the Parties:

Richmond:
City of Richmond

Chevron:
Chevron U.S.A., Inc., a Pennsylvania Corporation

Signature:



Name:

Eduardo MARTINEZ

Title:

MAYOR

Signature:



Name: Tolly Graves

Title: Vice President, Chevron Products, a division of Chevron U.S.A. Inc.

Chevron:
Chevron U.S.A., Inc., a Pennsylvania Corporation

Signature:

Name:

Title:

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City of Richmond

Chevron:
Chevron U.S.A., Inc., a Pennsylvania Corporation

Signature:

Signature:

Name:

Name: Tolly Graves

Title:

Title: Vice President, Chevron Products, a division of Chevron U.S.A. Inc.

Chevron:
Chevron U.S.A., Inc., a Pennsylvania Corporation

Signature:

Name:

Title:

Approved as to form:



David J. Aleshire, City Attorney
City of Richmond

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Richmond:
City of Richmond

Chevron:
Chevron U.S.A., Inc., a Pennsylvania Corporation

Signature:

Signature:

Name:

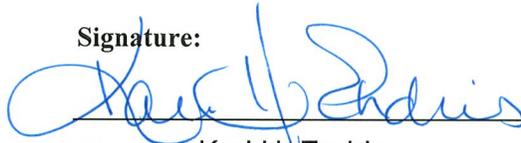
Name: Tolly Graves

Title:

Title: Vice President, Chevron Products, a division of Chevron U.S.A. Inc.

Chevron:
Chevron U.S.A., Inc., a Pennsylvania Corporation

Signature:



Name: Kari H. Endries

Title: Vice President and Secretary

Attachment A

Exemplar of Revenue Neutrality Calculation

The neutrality adjustment amount in any year will be 100% of new or increased taxes owed during the term of the Tax Payment Agreement. In the following example we illustrate the result of new taxes imposed and effective after the version of the Richmond Municipal Code in effect on January 1, 2024. (Pursuant to paragraph 1.3 of the Tax Payment Agreement, Existing Tax Payments are computed based on the version of the Richmond Municipal Code in effect on January 1, 2024).

In year one of the Tax Payment Agreement, Chevron is obligated, pursuant to a change in the Richmond Municipal Code after January 1, 2024, to pay additional taxes of \$10,000,000 per year in addition to amounts set forth in the Tax Payment Agreement. In year two of the Tax Payment Agreement, Chevron is obligated, pursuant to a change in the Richmond Municipal Code after January 1, 2024, to pay additional taxes of \$100,000,000 per year in addition to amounts set forth in the Tax Payment Agreement.

The neutrality credit computed pursuant to paragraph 1.5 of the Tax Payment Agreement is computed by multiplying the new taxes by 100%. The neutrality credit is then applied to the total amount of taxes due from Chevron. The result is that the city receives 100% of the agreed upon Tax Payment Agreement payments and Existing Tax Payments but no portion of the new taxes imposed after January 1, 2024.

	Year One	Year Two
Total Tax Payment Agreement Payment to Richmond	\$50,000,000	\$50,000,000
Existing Tax Payments Under Richmond Municipal Code Pre-January 1, 2024	\$40,000,000	\$41,000,000
New Taxes Imposed In Year One Pursuant to Modifications of the Richmond Municipal Code After January 1, 2024	\$10,000,000	\$10,000,000
New Taxes Imposed in Year Two Pursuant to Modifications of the Richmond Municipal Code After January 1, 2024		\$100,000,000
Total Taxes Owed by Chevron	\$100,000,000	\$201,000,000
Less: Neutrality Credit Applied to Total Taxes Owed by Chevron	\$10,000,000	\$110,000,000
Tax Payment by Chevron After Neutrality Credit	\$90,000,000	\$91,000,000